

Message Text

UNCLASSIFIED

PAGE 01 GEORGE 00030 01 OF 02 081936Z

47

ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01

INR-07 NSAE-00 RSC-01 TRSE-00 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 AGR-10 NSC-05 SS-15

STR-04 CEA-01 ARAE-00 L-02 H-02 GSA-02 FEAE-00 NEA-09

COA-01 EUR-12 INT-05 /120 W
----- 095757

P 081830Z JAN 75

FM AMEMBASSY GEORGETOWN

TO SECSTATE WASHDC PRIORITY 741

UNCLAS SECTION 1 OF 2 GEORGETOWN 0030

JOINT STATE/AID MESSAGE

E.O. 11652 N/A

TAGS: ECON, ETRD, GY

SUBJECT: ECONOMIC CRISIS: REVIEW OF LDC BALANCE OF PAYMENTS
SITUATION

REF: STATE 275634

1. MAJOR PREMISE FOR 1975 BOP ESTIMATE IS THAT SUGAR PRICES WILL
REMAIN HIGH DURING THIS YEAR, AND GUYANA WILL PRODUCE ABOUT 360,000
LONG TONS OF SUGAR, WITH EXPORTS OF ABOUT 325,000 LONG TONS.
UNDER THIS ASSUMPTION SUGAR EXPORT EARNINGS ALONE WILL ACCOUNT FOR
OVER 57 PERCENT OF ALL EXPORTS BY VALUE, AND WILL MORE THAN
OFFSET ANY INCREASES IN FUEL, FERTILIZER, AND FOOD GRAIN PRICES
COMBINED. FOLLOWING BREAKOUT OF BOP DATA IS BASED ON INFORMATION
GOG MINISTRY OF ECONOMIC DEVELOPMENT AND BANK OF GUYANA, AS
WELL AS MISSION ESTIMATES.

VALUE IN U.S. DOLLARS (MILLIONS)			
II PRELIMINARY)		(ESTIMATED)	
CY 73	CY 74	CHANGE IN CY 75	CHANGE IN
VOLUME		VOLUME	

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 GEORGE 00030 01 OF 02 081936Z

A. TOTAL EXPORTS	136.7	265.5	380.0
BAUXITE	65.4	95.5	PLUS 650,000 LT 100.0
SUGAR	36.1	108.4	PLUS 80,000LT 219.0 PLUS 19,000LT
RICE	11.9	22.0	PLUS 3,000LT 24.0 PLUS 1,000 LT
B. TOTAL IMPORTS	177.4	254.0	1/ 300.0
FERTILIZER	3.4	7.0	8.0
PETROLEUM	22.7	68.2	70.0
FOODGRAINS	9.7	22.9	20.0
C. TRADE BALANCE	-38.0	11.5	80.0
D. NET SERVICES	-16.7	-16.5	-20.00
E. NET TRANSFERS	-0.2	.0	.0
F. CURRENT BALANCE	-54.9	-5.0	PLUS 60.0
G. TOTAL OFFICIAL CAPITAL (NET)	14.3	35.0	35.9
U.S.	2.8	8.0	11.1
OTHER DAC	11.5	12.0	23.4
OPEC COUNTRIES	NONE	15.0	(VENEZUELA 10.0 (BOP LOAN FROM
COMMUNIST CTYS.	NONE	NEGLIGIBLE	1.4 KUWAIT, NON
		-ADD)	
H. PRIVATE CAPITAL (NET)	8.4	5.0	15.0
I. OVERALL BALANCE	27.9	35.0	80.0
(INCLUDES ERRORS & OMISSIONS)			
J. FINANCED BY:			
IMF OIL FAC.	N/A	NONE	NONE
IMF OTHER	NONE	4.9	NONE
OTHER SHORT-TERM BORROWING (2/)	4.8	15.0	10.0
CHANGE IN RE SERVES	-23.9	PLUS 39.2	PLUS 37.0
	(PRELIMINARY)	(ESTIMATED)	
	CY 73	CY 74	CY 75
UNCLASSIFIED			
UNCLASSIFIED			
PAGE 03 GEORGE 00030 01 OF 02 081936Z			
K. DEBT SERVICE	5.5	11.4	13.7
L. FOREIGN EXCHANGE RESERVES (GROSS	18.8	58.0	95.0
1/ NO APPRECIABLE CHANGE IN VOLUME OF PETROLEUM AND FOOD GRAINS IMPORTS. FERTILIZER IMPORTATION MAY INCREASE IN 1975 BY 20.25 PERCENT.			

2/ INCLUDES DOLS 20 MILLION MEDIUM-TERM BOP LOAN FROM TRINIDAD OF WHICH 15 MILLION DISBURSED IN 1974 AND 5 MILLION SLATED FOR 1975.

3. RESPONSE TO PARA FIVE REFTEL AS FOLLOWS:

(A) GNP GROWTH RATES NOT AVAILABLE FOR CY74 AS YET. GOG ESTIMATE FOR 1974 GDP IS U.S. DOLS 359 MILLION. APPLYING 24 PERCENT DEFLATOR TO REFLECT INFLATED PRICES OF CAPITAL AND INTER-MEDIATE GOODS, AS WELL AS FUEL COSTS WHICH MORE THAN TRIPLED, 1974 GDP GROWTHRATE IN REAL TERMS WOULD BE ABOUT 10.6 PERCENT. WE BELIEVE GOG HAS OVERESTIMATED 1974 GDP AT FACTOR COST. OUR ESTIMATE FOR GDP IS ABOUT U.S. DOLS 340 MILLION YIELDING GROWTH RATE (IN REAL TERMS) OF ABOUT FIVE PERCENT. PREDICT REAL GROWTH FOR 1975 TO BE AROUND SIX PERCENT IF BAUXITE AND RICE EXPANSION PLANS REALIZED. MARGINAL EFFECT OF HIGHER ENERGY COSTS ON GDP GROWTH HAS BEEN SIGNIFICANT IN SUCH AREAS AS AGRICULTURE (RICE AND SUGAR ESPECIALLY), WHERE DOUBLED FERTILIZER PRICE HAVE INCREASED FACTOR COSTS, AND IN BAUXITE INDUSTRY WHICH IS COUNTRY'S LARGEST CONSUMER OF BUNKER C FUEL. ONLY AREA, HOWEVER, SERIOUSLY EFFECTED ADVERSELY BY ENERGY CRUNCH IS SHRIMP INDUSTRY WHERE HIGH DIESEL FUEL COSTS HAVE OCCURRED WHILE SHRIMP EXPORT PRICES HAVE FALLEN. BAUXITE (MAINLY CALCINED) PRICES HAVE BEEN INCREASED TO PASS ON EFFECT OF HIGHER ENERGY COSTS. SUGAR PRICES REACHED UNPRECEDENTED LEVELS IN 1974, GUYANA HAVING MADE ONE SALE FOR EXAMPLE (10,000 LONG TONS) AT RECORD 670 STERLING PER LONG TON, (U.S. DOLS .687 PER POUND). MISSION ESTIMATE FOR 1975 SUGAR EXPORT EARNINGS BASED ON ASSUMPTION THAT GUYANA WILL SETTLE WITH U.K. FOR ABOUT 100,000 LONG TONS ALE AT NO REPEAT NO LESS THAN 230 STERLING PER LONG TON (U.S. DOLS .236 PER POUND). REMAINDER MAY BE SOLD TO U.S. AND (CONTINUED.....)

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 GEORGE 00030 02 OF 02 081953Z

47

ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01

INR-07 NSAE-00 RSC-01 TRSE-00 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 AGR-10 NSC-05 SS-15

STR-04 CEA-01 ARAE-00 L-02 H-02 GSA-02 FEAE-00 NEA-09

COA-01 EUR-12 INT-05 /120 W
----- 095885

P 081830Z JAN 75
FM AMEMBASSY GEORGETOWN
TO SECSTATE WASHDC PRIORITY 742

UNCLAS FINAL SECTION OF 2 GEORGETOWN 0030

JOINT STATE/AID MESSAGE

E.O. 11652: N/A
TAGS: ECON, ETRD, GY
SUBJECT: ECONOMIC CRISIS: REVIEW OF LDC BALANCE OF PAYMENTS
SITUATION

REF: STATE 275634

OTHERS AT PRICE QUOTED REFTEL.

(B) MAIN EFFECT OF HIGHER ENERGY COSTS ON GOG IMPORT POLICY WILL BE TO EMPHASIZE NEED FOR IMPORT SUBSTITUTION AND CONTINUED CURTAILMENT OF CONSUMABLES IMPORTS. EXTERNAL TRADE BUREAU (ETB) IS MAIN VEHICLE FOR IMPLEMENTING STATE TRADING POLICY, AND PURSUANT TO GENERAL GOG POLICY AS WELL AS RESPONSE TO ENERGY CRISIS IS LIKELY TO EXPAND ITS ROLE IN IMPORT/EXPORT TRANSACTIONS. IN RECENT PUBLIC ADDRESS, PRIME MINISTER BURNHAM ANNOUNCED THAT GOG WILL MOVE IN 1975 TOWARD COMPLETE DIRECT CONTROL OF ALL IMPORT TRANSACTIONS. GOG WILL ALSO CONTINUE PROGRAM OF SUBSIDIES AND PRICE CONTROLS ON BASIC FOOD COMMODITIES SUCH AS FLOUR, BREAD, RICE, SUGAR AND FISH.

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 GEORGE 00030 02 OF 02 081953Z

(C) AMONG MAJOR EFFECTS ON LONGER TERMPOLICY IS INTENSIFICATION OF LOCAL SEARCH FOR OIL. DURING 1974 TWO HOLES DRILLED OFF-SHORE AND AT LEAST THREE ARE SCHEDULED FOR 1975. CONTRACTS FOR DRILLING RUN THROUGH 1976 (SHELL ANTILLES AND GERMAN-OWNED DEMINEK). ALSO GOG ACCLERATING WORK ON UPPER MAZARUNIHYDRO-ELECTRICAL PROJECT. IN GENERAL, GUYANA WILL STRIVE TO IMPROVE TERMS OF TRADE THROUGH INTERNATIONAL PRODUCER GROUPS SUCH AS INTERNATIONALBAUXITE ASSOCIATION (IBA) AND RECENTLY FORMED SUGAR PRODUCERS GROUP.

AS INDICATED ABOVE, GUYANA WEATHERING IMMEDIATE DIRECT IMPACT OF OIL PRICE INCREASES THANKS TO INCREASED EXPORT EARNINGS, OVER LONGER TERM, HOWEVER, ECONOMIC RECESSION OR DEPRESSION IN WESTERN NATIONS WOULD HAVE MAJOR NEGATIVE IMPACT ON GUYANA'S MEDIUM TERM GROWTH PROSPECTS, AS WOULD SUBSTANTIAL DRP IN SUGAR PRICES. GUYANA DEPENDS HEAVILY ON WEST AS MARKET FOR ITS CALCINED BAUXITE. A SERIOUS DOWNTURN IN EARNINGS FROM EITHER BAUXITE OR SUGAR WOULD

DRAMATICALLY REDUCE CAPITAL DEVELOPMENT EXPENDITURES AND/OR GOG'S ABILITY TO SUBSIDIZE COSTLY CONSUMER IMPORTS. INCOME DISTRIBUTION IN GUYANA IS MORE EQUITABLE THAN MOST LDC'S AND SHOULD NOT BE SUBSTANTIALLY DISTORTED BY HIGH OIL PRICES. COUNTRY HAS AND WILL CONTINUE TO HAVE HIGHLY PROGRESSIVE INCOME TAX. AS PRIVATE SECTOR CONTINUES TO DECLINE IN IMPORTANCE, PUBLIC SECTOR WILL INCREASE LEADING TO MORE CIVIL SERVICE EMPLOYMENT, SUBSIDIES, AND OTHER TRANSFERS.

(D) TWO COMMITMENTS FROM OIL PRODUCERS: IN 1974 VENEZUELA LOANED DOLS U.S. 15 MILLION INTEREST-FREE, PAYABLE OVER TWENTY YEARS, WITH FIVE YEAR GRACE PERIOD. (SEE GEORGETOWN 1428). TRINIDAD AND TOBAGO IN 1974 EXTENDED U.S. DOLS 20 MILLION IN BALANCE OF PAYMENTS CREDITS TO BANK OF GUYANA. U.S. DOLS 15 MILLION USED DURING 1974. WILL BE REPAID OVER FIVE-YEAR PERIOD. KUWAIT HAS OFFERED GOG LOAN OF U.S. DOLS 10 MILLION FOR BALANCE OF PAYMENTS SUPPORT. NO DETAILS ON TERMS AVAILABLE AS YET.

4. ALL 1975 AND SOME 1974 DATA ARE SUBJECT TO SUBSTANTIAL REVISION. FURTHER DETAILS ON GOG CAPITAL OUTLAYS AND CURRENT EXPENDITURES WILL FOLLOW SHORTLY IN MISSION AIRGRAM ON GOG 1975 BUDGET. MATTHEWS

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: LESS DEVELOPED COUNTRIES, ECONOMIC CONDITIONS, BALANCE OF PAYMENTS DATA, ECONOMIC ESTIMATES
Control Number: n/a
Copy: SINGLE
Draft Date: 08 JAN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975GEORGE00030
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750007-1128
From: GEORGETOWN JOINT
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750170/aaaacjlp.tel
Line Count: 244
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 75 STATE 275634
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 11 MAR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <11 MAR 2003 by daviscw>; APPROVED <10 NOV 2003 by MorefiRH>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ECONOMIC CRISIS: REVIEW OF LDC BALANCE OF PAYMENTS SITUATION
TAGS: ECON, ETRD, GY
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006